

Message Text

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ACTION STR-01

INFO OCT-01 SS-14 ISO-00 EUR-10 IO-03 INRE-00 SSO-00 AGR-03

EB-03 NSC-07 NSCE-00 INR-10 CIAE-00 L-02 COME-00

TRSE-00 TAR-01 AID-10 SP-01 DRC-01 RSC-01 /068 W

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O R 231205Z APR 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 4451

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

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LIMDIS

E.O. 11652: N/A

TAGS: ETRD, GATT, EEC, IT, US

SUBJECT: GATT ARTICLE XXIV:6 NEGOTIATIONS - TOBACCO

REF: (A) ROME 5556; (B) ROME 5515; (C) MALMGREN-ZUCCA TELECON

DEPT PASS STR AND AGRICULTURE (HUME)

1. IN CONNECTION WITH NEGOTIATING STRATEGIES ON XXIV:6,
WE BELIEVE CARE SHOULD BE TAKEN TO RESPECT TO THE PROBLEM IN
PERSUADING ITALIANS TO ACCEPT
US POSITION ON TOBACCO. OUR COMMENTS, BELOW, ARE OFFERED IN
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THE HOPE OF CLARIFYING ITALIAN VIEW OF SITUATION SPELLED OUT IN

REF (B).

2. 1973 ITALIAN IMPORTS US TOBACCO UNDER CXT ITEM 24.01A WERE ONLY ABOUT 5 METRIC TONS. MOST TOBACCO IMPORTS FROM US ARE UNDER CXT ITEM 24.01B. PRICE PER 100 KILOS FOR LATTER IMPORTS CURRENTLY RANGES BETWEEN \$200-250, DEPENDING ON TYPE. VIEWING SITUATION FROM ITALIAN PERSPECTIVE, US TOBACCO SALES UNDER 24.01A SO SMALL AS TO BE OF NO TRADE SIGNIFICANCE AND THERE IS ALSO NO IMMEDIATE DANGER OF CROSSING 280 UA (\$350) THRESHOLD FROM 24.01B TO 24.01A, WHICH WOULD RESULT IN HIGHER AD VALOREM CHARGE. WE THEREFORE FIND OURSELVES HITTING GOI HARD ON AN ITEM NOT OF REAL SIGNIFICANCE IN US-ITALIAN TRADE.

3. EMBASSY UNDERSTANDS (RE/C) THAT REAL PROBLEM INVOLVES SUBSTANTIAL US EXPORTS FLUE-CURED VIRGINIA (BRIGHT) TOBACCO TO OTHER EC MEMBERS WHICH ARE APPROACHING 280 UA (\$350) THRESHOLD AND MAY THEREFORE SOON BE SUBJECT TO HIGHER DUTY UNDER 24.01A. IN THIS SITUATION, IS IT NOT FEASIBLE SEEK INCREASE IN PRICE LEVEL SEPARATING 24.01A AND 24.01B OR TO REQUEST REDEFINITION OF SUBITEMS WITHIN 24.01 ON SOME BASIS OTHER THAN PRICE?

4. IF ABOVE NOT FEASIBLE, EMBASSY SUGGESTS THAT, INSTEAD OF DIRECT DISCUSSION WITH GOI, EMBASSIES BONN, BRUSSELS, COPENHAGEN, THE HAGUE, AND LONDON (WHICH COUNTRIES ARE LARGE PURCHASERS OF FLUE-CURED VIRGINIA TOBACCO) APPROACH HOST GOVERNMENT AT APPROPRIATE LEVEL TO REQUEST THEM, OUT OF SELF INTEREST, TO INFLUENCE GOI THROUGH COMMUNITY CHANNELS IF APPROPRIATE TO ACCEPT US REQUEST ON TOBACCO. EMBASSY BELIEVES THIS APPROACH APT TO BE MORE REWARDING IN LONG RUN. VOLPE

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